

State Board of Land Commissioners
February 21, 2008
Information Agenda

SUBJECT

Review the Endowment Fund Investment Board's progress to date in developing a recommendation to the Land Board on Spending Policy for the endowment funds

BACKGROUND

Each endowment fund consists of two parts – a Permanent Fund, principal which can never be spent, and an Earnings Reserve fund from which distributions can be made to the beneficiaries. By statute, the Land Board determines the allocation of the Earnings Reserve funds of the endowments – how much to distribute to beneficiaries, how much to transfer to the permanent fund, and how much to retain for future distributions. The guidelines by which these decisions are made are the Spending Policy.

In recent years, fund returns and land revenues have been strong, building significant earnings reserve balances for most endowments. While a Spending Policy of 5% of the Permanent Fund has been used in recent years (with a couple of exceptions), no guideline has been established to determine when transfers should be made from Earnings Reserves to Permanent Funds.

DISCUSSION

To support the Land Board in its fiduciary duty to set Spending Policy, the EFIB has been evaluating whether the current spending rule of 5% of the Permanent Fund is appropriate and developing a recommendation on when the Land Board should transfer excess Earnings Reserves to the Permanent Fund. The EFIB has adopted key strategic objectives of a Spending Policy and drafted a timeline to deliver a recommendation to the Land Board for consideration.

Feedback from the Land Board is welcome.

ATTACHMENT

An explanation of Spending Policy issues and the Strategic Objectives established by the EFIB.